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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Letter from Ivan Selin, Chairman, Military-Economic Advisory Panel

FROM: Douglas J. MacEachin
Director of Soviet Analysis
4E58 Hq.

EXTENSION

NO.

ER 1837X/188

DATE

28 June 1988

TO: (Officer designation, room number, and building)

DATE

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7E12 Hq

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B-702-IR

American Management Systems, Inc.

Ivan Selin
Chairman

June 23, 1988

The Honorable
William Webster
Director
Central Intelligence Agency
Washington, D.C. 20505

Dear Bill:

Thanks very much for coming down to visit with the MEAP on the 20th. We spent a good part of the next morning reviewing the CIA estimation procedures and results concerning the health and size of the Soviet economy. A summary of our conclusions is as follows:

1. It is quite clear that many of the critics do not know (or perhaps do not care) what is in the CIA estimates of the overall size and composition of the Soviet economy. Far from painting a rosy picture, the CIA estimates portray an economy which is not growing, not doing very well, and which is presenting its leaders with very difficult and painful choices.
2. The CIA estimates appear to be fundamentally sound, especially in describing the overall size and rate of growth of the Soviet economy. There is more room for improvement in estimating the composition of the economy (i.e. how much investment, how much consumption, how much foreign trade), but the analysts know this and are making honest attempts to improve this work.
3. CIA estimates depend in part on published Soviet economic statistics; of course, CIA analysts know how unreliable these estimates are. Therefore the analysts have made major, fairly successful attempts to base their economic estimates on physical quantities wherever possible, since these physical assets are more reliable and more easily verified than are the economic aggregates.
4. The CIA estimates are the only estimates that are the result of an established, replicable methodology. The other "estimates" discussed in the press are really only guesses and hunches, which cannot be verified or reproduced.

We think it is very important to stress the concept of methodologies which are consistent from one year to the next, and which can be reviewed objectively by outsiders.

5. However, not enough has been done to involve outsiders in the estimation process. Our panel represents one slice of outside

opinion, but a much broader slice should be tapped. By publishing more on an unclassified basis and by interacting with a wider range of outside experts, CIA analysts will benefit from much talent and work which is not now reflected in CIA results.

Even more importantly, a range of expert opinion will become much better informed about the CIA estimates. We are quite sure that with familiarity will come increased respect, just as the MEAP's respect for CIA analysis has grown over time.

6. We are puzzled by the image of the CIA as being set in its ways and unwilling to listen to alternative viewpoints. We have found, and continue to find, the CIA Soviet analysts determined to find their own shortcoming and open to constructive criticism.
7. We think it would be a good idea to publish a short article describing in lay terms what CIA estimates are intended to portray, and in fact what the substantive results are.

It is very important to explain that the Soviet Union is a producer, not a consumer society. An economic situation with a heavy defense component and a major investment in heavy industry will be more unsatisfactory to consumers than to the political leaders. Therefore a relatively high GNP does not translate into a comparably high standard of living. Furthermore, the CIA analysts do not think the economy is doing particularly well, even by the standards of the Soviet leadership.

8. Because common Western measures such as per capita national income or product do not measure standard of living very well in the Soviet Union, it would be a good idea to develop social indices, such as caloric and meat consumption figures, to supplement the purely economic ones.

These attacks on CIA analyses are, unfortunately, the beginning of a trend, not the end of one. Estimates of Soviet economic performance have become politically important. One end of the political spectrum wishes the public to think that the Soviet economy is in even worse shape than it really is, and may crumble if the US keeps applying pressure. The Soviets themselves will discredit their own past figures and estimates, to show that Gorbachev inherited an even worse situation than he had expected, and therefore that he has made more progress than it appears.

Clearly steps are necessary to keep improving the Agency product, to defuse well-meaning but uninformed criticisms through further public information, and to brace yourself for further politically motivated criticisms from those who will not be impressed by your greater openness.

Beir

1/11/77

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

20-21 May Military-Economic Advisory Panel Meeting

FROM:

Douglas J. MacEachin
Director of Soviet Analysis
4E58 Hq

EXTENSION

NO.

ER 1837X-88

DATE

10 May 1988

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10 May 1988

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence
Executive Director

FROM: Douglas J. MacEachin
Director of Soviet Analysis

SUBJECT: 20-21 May Military-Economic Advisory Panel Meeting

1. Action: Ivan Selin, Chairman of your Military-Economic Advisory Panel (MEAP) invites you to meet and address the MEAP members at their next biannual meeting on 20-21 May. We are prepared to adjust the current schedule for the meeting on Friday, 20 May to accommodate your own schedule. ☐

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2. Background: The Military Economic Advisory Panel advises the DCI on all economic, military-economic, and some military issues related to the Soviet Union and Eastern Europe. The accompanying memo from Ivan Selin dated 13 January 1988 provides further background on the MEAP. Also provided is a list of the current members of your MEAP. The Chairman of the MEAP and I met with you on 10 February to discuss the role of the MEAP. ☐

STAT

3. Recommendation: I recommend that you hold a brief meeting-- 30 minutes--with the MEAP on the morning of Friday, 20 May in order to become acquainted with the members and provide your views on the role of your advisory panels.

STAT

☐
Douglas J. MacEachin

Will attend X

Will not attend

UNCLASSIFIED



UNCLASSIFIED

SUBJECT: 20-21 May Military-Economic Advisory Panel Meeting

DDI/SOVA/ES (10 May 88)

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Military-Economic Advisory Panel Meeting, 20-21 May 1988

FROM:

Douglas J. MacEachin
Director of Soviet Analysis
4E58 Hq

EXTENSION

NO.

DATE

17 May 1988

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TO: (Officer designation, room number, and building)

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17 May 1988

MEAP Agenda

20-21 May 1988
4E58 Conference Room

Friday, 20 May

0830 - 0900 Coffee

Civil vs. Military Modernization: Competition for High Quality
Capital Equipment, 1990-2000

0900 - 0915 **Introduction**

0915 - 1015 **The Supply of Producer Durables**

- A. From Defense Industry - Defense Industry Support to Civil Modernization - The Record to Date
- B. From Civil MBMW - Performance in the 12th FYP and Prospects
- C. Discussion

1015 - 1055 **Investment Requirements for Civil-Modernization**

- A. Requirements for the Economy--Excluding MBMW
- B. Requirements for Civil MBMW
- C. Discussion

1100-1115 Introduction of Judge Webster to MEAP Members

1115 - 1230 Lunch

1230 - 1400 **Investment Requirements for Military Modernization**

- A. Weapons Programs Requiring a Modernized Defense-Industrial Base
 - 1. Aircraft
 - 2. Land Arms
 - 3. Navy
 - 4. Missiles
 - 5. Space Systems
 - 6. Political-Military Context

1400 - 1415 Break

1415 - 1515 B. Defense-Industry Investment Required To Produce These Weapons

- 1. Critical Technology Requirements
- 2. Review of Key Weapons Programs and Production Plant Preparations: Past Trends and Future Requirements

1515 - 1615 **Given Demand Exceeds Supply - How Will the Soviets Respond?**

- A. Reliance on Eastern Europe
- B. Reliance on the West
- C. Drafting the 13th FYP: Priorities and Shortages and How Will We Know
 - 1. Time-lines for 13th FYP
 - 2. Wrap-up Discussion

Saturday, 21 May

0830 - 0900	Coffee
0900 - 1030	<u>Intelligence Forecasts of Soviet Intercontinental Attack Forces: An Evaluation of the Record</u>
1030 - 1200	<u>GNP Estimates</u>
1200 - 1400	Lunch/Executive Session